

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

*In the Matter of:*

APPLICATION OF JACKSON PURCHASE )  
ENERGY CORPORATION FOR ADJUST- )  
MENTS IN EXISTING CABLE TELEVI- )  
SION ATTACHMENT TARIFF )

CASE NO. 2004-0019

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PUBLIC SERVICE  
COMMISSION

MOTION TO DISMISS

Ballard Rural Telephone Cooperative Corporation, Inc. ("Ballard Rural"), by counsel, hereby moves the Public Service Commission of the Commonwealth of Kentucky (the "Commission"), to dismiss the application for adjustments in existing Cable Television Attachment Tariffs of Jackson Purchase Energy Corporation ("Jackson Purchase"). In support of its motion, Ballard Rural states as follows.

As the Commission recognized in *In The Matter of: Big Rivers Electric Corporation's Proposed Mechanism to Credit Customers' Amounts Recovered in Judicial Proceedings Involving Fuel Procurement Contracts*, Case No. 94-453, 1997 Ky. PUC LEXIS 16, February 21, 1997, "[c]ourts have generally held that regulatory commissions may not establish rates based on a single expense or revenue source." *Id.* at 3.

The rule against single-issue ratemaking recognizes that the revenue formula is designed to determine the revenue requirement based on the aggregate costs and demand of the utility. Therefore, it would be improper to consider changes to components of the revenue requirement in isolation. Often times a change in one item of the revenue formula is offset by a corresponding change in another component of the formula.

*Id.* at 3-4 (quoting *Business & Professional People for the Public Interest v. Illinois Commerce Commission*, 585 N.E.2d 1032 (Ill. 1991)). While exceptions to the general rule against single-issue rate cases exist in order to comply with federal statutes such as the Federal Clean Air Act

(see KRS 278.183), no such exception exists in the present case. Moreover, if the Commission were to permit Jackson Purchase to increase its Cable Television Attachment Tariff (“CTAT”) rates without examining Jackson Purchase’s other expenses and revenues, Jackson purchase could increase its rates while already earning large profits. Such a scenario would greatly disadvantage utility customers. A single expense simply cannot be isolated from the utility’s remaining sources of revenue and expenses.

From one rate case to another, all elements of a utility’s operations change. When rates are established in a rate case, the Commission uses a representative relationship among revenues, expenses and investments. After the rates are set, the utility may experience a declining rate base because of depreciation and deferred tax effects, may experience lower interest costs because of the redemption of the high cost securities, may experience increased revenues due to customer growth, may experience increased capital O&M costs due to inflation, may experience reduced O&M costs due to the initiation of more efficient operations, etc. These types of changes occur daily in the operation of an electric utility, and except for the special case of fuel costs and the Clean Air Act compliance costs not already included in base rates, ***there is no procedure to carve out specific items of costs for consideration.***

*Id.* at 4 (quoting Administrative Case No. 341, Comments and Responses of Kentucky Industrial Utility Customers, Appendix A, at 4) (emphasis in original)).

In the present case, Jackson Purchase is attempting to engage in single-issue ratemaking. Pursuant to its application, Jackson Purchase requests that the Commission increase the existing CTAT rates it charges its customers by approximately 200% without analyzing Jackson Purchase’s other sources of revenues, expenses, and investments, not to mention its overall profit margin. The Commission cannot determine whether these proposed tariff rates are just and reasonable in isolation. Moreover, Jackson Purchase, which bears the burden of establishing that the requested rate increase is just and reasonable, cannot satisfy its burden without demonstrating that the proposed increase is reasonable in light of Jackson Purchase’s other sources of revenue,

expenses, and investments. The Commission should not permit Jackson Purchase to disregard the substantial body of law requiring general rate cases, and establish a dangerous precedent that would permit utilities to file single-issue rate cases to the detriment of utility customers.

Given Jackson Purchase did not apply for a general rate case, but rather applied for a single-issue rate case in violation of the general rule prohibiting such cases, the Commission should grant Ballard Rural's motion to dismiss and reject Jackson Purchase's application for adjustment in its existing CTAT.

Respectfully submitted,



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**CERTIFICATE OF SERVICE**

It is hereby certified that a true and accurate copy of the foregoing was served via First Class United States Mail, postage prepaid, to the following individuals this 6<sup>th</sup> day of December, 2004:

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